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***The Public Service Commission
State of South Carolina***

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July 6, 2006

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John J. Pringle, Jr., Esquire
Ellis Lawhorne & Sims, PA
P.O. Box 2285
Columbia, SC 29202

Wendy B. Cartledge, Esquire
Office of Regulatory Staff
P.O. Box 11263
Columbia, SC 29211

Re: Application of Navacore, LLC
Commission Docket No. 2006-111-C

Dear Jack and Wendy:

Enclosed please find a proposed order in the above-captioned docket, which is being delivered to you pursuant to the requirements of 26 S.C. Code Ann. Regs. 103-865 (C). As parties of record in this Navacore case, you have ten (10) days from your receipt of this proposed order to file exceptions, present briefs, and/or file written requests for oral argument to the Commission, if you should desire to do so. If none of these are received by me within 10 days of your receipt of the proposed order, I will request that the Commission issue its order in this case based upon the record of the formal proceeding and the proposed order.

Thank you in advance for your consideration in this matter.

Sincerely,

F. David Butler
Hearing Examiner

FDB/dd
cc: Joseph Melchers, Chief Legal Advisor

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2006-111-C - ORDER NO. 2006-
JULY 6, 2006

IN RE: Application of Navacore, LLC for a	) ORDER
Certificate of Public Convenience and	) GRANTING
Necessity to Provide Resold and Facilities	) CERTIFICATE,
Based Interexchange and Local Exchange	) APPROVING MODIFIED
Telecommunications Services, for Flexible	) ALTERNATIVE
Rate Structure for Local Exchange Service	) REGULATION AND
Offerings and for Alternative Regulation.	) FLEXIBLE
	) REGULATION-
	) PROPOSED ORDER OF
	) THE HEARING
	) EXAMINER

This matter comes before the Public Service Commission of South Carolina (the "Commission") by way of the Application of Navacore, LLC ("Navacore" or the "Company") requesting a Certificate of Public Convenience and Necessity authorizing it to provide resold and facilities-based interexchange and local exchange telecommunications services within the State of South Carolina. The Company's Application was filed pursuant to S.C. Code Ann. §58-9-280 (Supp. 2005) and the rules and regulations of the Commission. By its Application, Navacore also requests modified alternative regulation of its business services offerings identical to that granted to AT&T Communications in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C as modified by Order No. 2001-997, flexible regulation of its local exchange service offerings

pursuant to Order No. 98-165 in Docket No. 1997-467-C, and waiver of certain Commission regulations.

The Commission's Docketing Department instructed Navacore to publish, one time, a Notice of Filing in newspapers of general circulation in the areas of the state affected by the Application. The purpose of the Notice of Filing was to inform interested parties of the Application of Navacore and of the manner and time in which to file the appropriate pleadings for participation in the proceeding. Navacore complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. A Petition to Intervene was filed by the South Carolina Telephone Coalition (SCTC). Subsequent to the intervention, Navacore and SCTC reached a Stipulation, attached hereto as Order Exhibit 2.

Subsequently, Navacore and ORS filed a Stipulation, which was amended at the hearing to correct a typographical error. The corrected Stipulation is attached hereto as Order Exhibit 1. A hearing was convened on June 28, 2006, at 3:30 p.m. in the Commission's Law Library, Columbia, South Carolina, before David Butler, Hearing Examiner. Navacore was represented by John J. Pringle, Jr., Esquire. The Office of Regulatory Staff (ORS) was represented by Wendy B. Cartledge, Esquire. The South Carolina Telephone Coalition did not appear at the hearing.

William Hubbartt, President and CEO of the Company, appeared by video conferencing and testified in support of the Application. The record reveals that Navacore is a Limited Liability Company organized under the laws of the State of South Carolina. According to Mr. Hubbartt, the Company seeks authority both as a facilities-

based and as a reseller of local and interexchange services. Mr. Hubbartt explained the Company's request for authority, and the record further reveals the Company's services, operations, and marketing procedures. The Company's market includes residential and business customers. Navacore currently operates as an Internet Service Provider. The Company does not presently provide telecommunications services in any State. Navacore hopes to provide such services in South Carolina, and, according to Mr. Hubbartt, will also apply for authority to provide telecommunications services in North Carolina and Georgia.

Mr. Hubbartt also discussed Navacore's technical, financial, and managerial resources to provide the services for which it seeks authority. Mr. Hubbartt offered that Navacore possesses sufficient financial resources to support its operations in South Carolina.

With regard to management and technical capabilities, the Company has not been denied a license in any of the states in which it has applied, nor has it had a license revoked in any jurisdiction. The Company's Application and Mr. Hubbartt's testimony both evidence that Navacore's management team has extensive experience in telecommunications, information technology, regulatory matters, and accounting and finance. Ms. Hubbartt also testified that Navacore will operate in accordance with Commission rules, regulations, guidelines, and Commission Orders.

Mr. Hubbartt offered that approval of Navacore's Application would serve the public interest by increasing the level of competition in South Carolina. On behalf of the Company, Mr. Hubbartt requests an exemption from record keeping policies that require

maintenance of financial records in conformance with the Uniform System of Accounts (USOA). Navacore maintains its books in accordance with Generally Accepted Accounting Principles (GAAP). In addition, the Company requests that it not be required to publish local exchange directories, and therefore requests waiver of 26 S.C. Code Ann. Regs. 103-631. Also, Navacore seeks a waiver of 26 S.C. Code Ann. Regs. 103-612.2.3, in that the Company will be offering services within the geographic service areas of the incumbent local exchange carriers (ILECs), and therefore the requirement of a map showing the Company's certificated area is not needed.

After full consideration of the applicable law, the Company's Application, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. Navacore is a Limited Liability Company organized under the laws of the State of South Carolina.
2. Navacore desires to operate as a provider of facilities-based and resold local and interexchange services in South Carolina.
3. We find that Navacore possesses the managerial experience and capability to operate as a provider, on a facilities basis or through resale, of both local and interexchange services in South Carolina.
4. We find, based on the financial statements submitted by the Company, and the testimony in the case, that Navacore possesses sufficient financial resources to provide the services as described in its Application.

5. We find that the issuance of a Certificate of Public Convenience and Necessity to Navacore to operate as a facilities-based and/or reseller of interexchange and local exchange telecommunications services in South Carolina would be in the best interest of the citizens of South Carolina by increasing the level of competition in South Carolina, by providing an alternative source for telecommunications services, and by creating incentives for lower prices, more innovative services, and more responsive customer service.

6. We believe that exemption from the policies that would require the Company to keep its records under the USOA is reasonable. Additionally we find that waivers of 26 S.C. Code Ann. Regs. 103-631 and 103-612.2.3 are reasonable and in the public interest.

7. The Company has the managerial, technical, and financial resources to provide the services as described in its Application. S.C. Code Ann. Section 58-9-280 (B) (1) (Supp. 2005).

8. The Commission finds that the Company's "provision of service will not adversely impact the availability of affordable local exchange service." S.C. Code Ann. Section 58-9-280 (B) (3) (Supp. 2005).

9. The Commission finds that the Company will support universally available telephone service at affordable rates. S.C. Code Ann. Section 58-9-280 (B) (4) (Supp. 2005).

10. The Commission finds that services to be provided by the Company will meet the service standards of the Commission. S.C. Code Ann. Section 58-9-280 (B) (2) (Supp. 2005).

11. The Commission finds that the provision of local exchange service by the Company “does not otherwise adversely impact the public interest.” S.C. Code Ann. Section 58-9-280(B)(5) (Supp. 2005).

12. Following execution of a Stipulation with intervenor South Carolina Telephone Coalition (SCTC), the SCTC withdrew its opposition to the Application.

CONCLUSIONS OF LAW

1. The Commission concludes that Navacore possesses the managerial, technical, and financial resources to provide the telecommunications services as described in its Application.

2. The Commission concludes that Navacore will participate in the support of universally available telephone service at affordable rates to the extent that Navacore may be required to do so by the Commission.

3. The Commission concludes that Navacore will provide services which will meet the service standards of the Commission.

4. The Commission concludes that approval of Navacore’s Application to provide intrastate telecommunications services within South Carolina will serve the public interest by enhancing competition in the State of South Carolina by offering additional service offerings to South Carolina’s consumers and by providing for efficient use of existing telecommunications resources.

5. The Commission concludes that the provision of telecommunications service by Navacore will not adversely impact the public interest.

6. The Commission concludes that the issuance of the authority to provide intrastate local exchange and interexchange telecommunications services and access services as requested by Navacore and as set forth in its Application and Mr. Hubbard's testimony is in the best interests of the citizens of the State of South Carolina.

7. The Commission concludes that a Certificate of Public Convenience and Necessity should be granted to Navacore to provide facilities-based and resold intrastate interexchange and local exchange telecommunications services.

8. The Commission adopts a rate design for Navacore for its residential interexchange services which includes maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

9. Navacore shall not adjust its residential interexchange rates below the approved maximum level without notice to the Commission and to the public. Navacore shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE

Sprint Communications, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level for residential interexchange services reflected in the tariff which would be applicable to the general body of the Company's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp.2005).

10. The Commission concludes that Navacore's intrastate interexchange business telecommunications services shall be regulated in accordance with the principles and procedures established for alternative regulation of business service offerings set out in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. The Commission has previously granted this "alternative regulation" to competitive intrastate interexchange carriers operating within South Carolina, and the Commission concludes that the competitive marketplace requires the Commission to allow this flexible regulation to those carriers which request it. Specifically, the Commission-approved alternative regulation allows business service offerings, including consumer card services and operator services, to be subject to a relaxed regulatory scheme identical to that granted to AT&T Communications in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. However, pursuant to Order No. 2001-997 (Docket No. 2000-407-C), this Commission has modified alternative regulation by the re-imposition of rate caps with regard to certain "operator-assisted calls" where a customer uses a local exchange carrier's calling card to complete calls from locations which have not selected that local exchange carrier as the toll provider. Order No. 2001-997, dated November 8, 2001, imposed a maximum

cap of \$1.75 for operator surcharges for such calls, and a maximum cap of \$0.35 related to the flat per-minute rate associated with these calls. Under this relaxed regulatory scheme, tariff filings for business services shall be presumed valid upon filing. The Commission will have seven (7) days in which to institute an investigation of any tariff filing. If the Commission institutes an investigation of a particular tariff filing within the seven days, the tariff filing will then be suspended until further Order of the Commission.

11. The Commission concludes the Company's local exchange telecommunications services shall be regulated in accordance with the principles and procedures established for flexible regulation first granted to NewSouth Communications by Order No. 98-165 in Docket No. 97-467-C. Specifically, the Commission adopts for the Company's competitive intrastate local exchange services a rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels approved by the Commission. Further, the Company's local exchange service tariff filings are presumed valid upon filing, subject to the Commission's right within thirty (30) days to institute an investigation of the tariff filing, in which case the tariff filing would be suspended pending further Order of the Commission. Further, any such tariff filings will be subject to the same monitoring process as similarly situated competitive local exchange carriers.

12. We grant exemption from the policies requiring the use of USOA. In addition, we grant waivers of 26 S.C. Code Ann. Regs. 103-631 and 103-612.2.3, which require publication of a local telephone directory, and the filing of maps, respectively.

13. The Stipulations between the parties should be approved.

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED THAT:

1. A Certificate of Public Convenience and Necessity should be granted to Navacore to provide intrastate interLATA service and to originate and terminate toll traffic within the same LATA, as set forth herein, on a facilities basis or through resale of intrastate Wide Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), Foreign Exchange Service, Private Line Service, or any other services authorized for resale by tariffs of carriers approved by the Commission, as well as to provide facilities-based or resold local exchange telecommunications services within the State of South Carolina. The Company is also specifically authorized to provide resold inbound and outbound interexchange telecommunications services and operator-assisted services to its customers.

2. The Company's rate designs for its products shall conform to those designs described in Conclusions of Law above.

3. If it has not already done so by the date of issuance of this Order, Navacore shall file its tariff and an accompanying price list for any applicable rates within thirty (30) days of receipt of this Order. The tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations.

4. Navacore is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that for access purposes resellers and facilities-based interexchange carriers should be treated similarly.

5. With regard to the Company's resale of service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

6. Navacore shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If Navacore changes underlying carriers, it shall notify the Commission in writing.

7. With regard to the origination and termination of toll calls within the same LATA, Navacore shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993), with the exception of the 10-XXX intraLATA dialing requirement, which has been rendered obsolete by the toll dialing parity rules established by the FCC pursuant to the Telecommunications Act of 1996 (See, 47 CFR 51.209). Specifically, Navacore shall comply with the imputation standard as adopted by Order No. 93-462 and more fully described in paragraph 4 of the Stipulation and Appendix B approved by Order No. 93-462.

8. Navacore shall file annual financial information in the form of annual reports and gross receipts reports as required by the Commission. The annual report and the gross receipt report will necessitate the filing of intrastate information. Therefore, Navacore shall keep financial records on an intrastate basis for South Carolina to comply with the annual report and gross receipts filings. The proper form for filing annual financial information can be found at the Commission's website at www.psc.sc.gov/reference/forms.asp or at the ORS's website at

w.w.w.regulatorystaff.sc.gov. The title of this form is “Telecommunications Company Annual Report.” This form shall be utilized by the Company to file annual financial information with the Commission and ORS and shall be filed no later than **April 1st**.

Commission gross receipts forms are due to be filed with the Commission and ORS no later than **August 31st** of each year. The proper form for filing gross receipts information can be found at the ORS website at www.regulatorystaff.sc.gov, and the appropriate form is entitled “Gross Receipts Form.”

Each telecommunications company certified in South Carolina is required to file annually with the ORS the Intrastate Universal Service Fund (USF) worksheet, which may be found on the ORS’s website at www.regulatorystaff.sc.gov. This worksheet provides ORS information required to determine each telecommunications company’s liability to the State USF fund. The Intrastate USF worksheet is due to be filed annually no later than **August 15th** with the Commission and ORS.

9. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, the Company shall provide to the Commission and ORS in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours. Navacore shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The “Authorized Utility Representative Information” form can be found at the Commission’s website at

www.psc.sc.gov/reference/forms.asp; this form shall be utilized for the provision of this information to the Commission and ORS. Further, the Company shall promptly notify the Commission and ORS in writing if the representatives are replaced.

10. The Company is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

11. Navacore requests that it be exempt from record keeping policies that require a carrier to maintain its financial records in conformance with the Uniform System of Accounts (USOA). The USOA was developed by the FCC as a means of regulating telecommunications companies subject to rate base regulation. As a competitive carrier, Navacore maintains its book of accounts in accordance with Generally Accepted Accounting Principles (GAAP). GAAP is used extensively by interexchange carriers and other providers. Accordingly, Navacore requests an exemption from the USOA requirements. We grant the Company's request for the reasons stated above.

12. Navacore is required to comply with Title 23, Chapter 47 of the South Carolina Code Annotated, which governs the establishment and implementation of a "Public Safety Communications Center," which is more commonly known as a "911" system or "911 service." Services available through a 911 system include law enforcement, fire, and emergency medical services. In recognition of the necessity of quality 911 services being provided to the citizens of South Carolina, the Commission hereby instructs Navacore to contact the appropriate authorities regarding 911 service in the counties and cities where the Company will be operating, should the Company

become interconnected to the public switched telephone network. Contact with the appropriate 911 service authorities is to be made before beginning local telephone service in South Carolina. Accompanying this Order is a memo from the State 911 Office of the Office of Research & Statistics of the South Carolina Budget and Control Board. This memo provides information about contacting County 911 Coordinators. By this Order and prior to providing local telephone services in South Carolina, Navacore shall contact the 911 coordinator in each county (and city where the city has its own 911 system) and shall provide information regarding the Company's operations as required by the 911 system.

13. The Stipulations between the various parties are hereby approved.

14. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Randy Mitchell, Chairman

ATTEST:

G. O'Neal Hamilton, Vice-Chairman

(SEAL)